

Message Text

PAGE 01 STATE 159020
ORIGIN TRSE-00

INFO OCT-01 ISO-00 SS-15 SIG-01 AF-10 ARA-10 EA-07
EUR-12 NEA-10 IO-13 USIE-00 AID-05 CIAE-00
COME-00 EB-07 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
STR-04 CEA-01 H-01 ABF-01 L-03 NSCE-00 INRE-00
PRS-01 PA-01 AGRE-00 IGA-02 /135 R

TX 387

DRAFTED BY TREAS:OASIA:WTHOMSON:CMR
APPROVED BY TREAS:WBLUMENTHAL
TREAS:ANACHMANOFF
TREAS:ASOLOMON
TREAS:CIBRADFORD
TREAS:PSBRIDGES
S/S-O:AWOTTO
B:PHBOEKER

-----111291 082109Z /46

O 081942Z JUL 77
FM SECSTATE WASHDC
TO AMEMBASSY ALGIERS IMMEDIATE
AMEMBASSY ANKARA IMMEDIATE
AMEMBASSY ANTANARIVO IMMEDIATE
AMEMBASSY ASUNCION IMMEDIATE
AMEMBASSY BANGKOK IMMEDIATE
AMEMBASSY BELGRADE IMMEDIATE
AMEMBASSY BOGOTA IMMEDIATE
AMEMBASSY BONN IMMEDIATE
AMEMBASSY BRASILIA IMMEDIATE
AMEMBASSY BRUSSELS IMMEDIATE
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 STATE 159020

AMEMBASSY BUCHAREST IMMEDIATE
AMEMBASSY BUENOS AIRES IMMEDIATE
AMEMBASSY CAIRO IMMEDIATE
AMCONSUL DOUALA IMMEDIATE
AMEMBASSY DUBLIN IMMEDIATE
AMEMBASSY HELSINKI IMMEDIATE
AMEMBASSY ISLAMABAD IMMEDIATE
AMEMBASSY JAKARTA IMMEDIATE
AMEMBASSY KUWAIT IMMEDIATE
AMEMBASSY LAGOS IMMEDIATE
AMEMBASSY LISBON IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY LUSAKA IMMEDIATE
AMEMBASSY MADRID IMMEDIATE

AMEMBASSY MANILA IMMEDIATE
AMEMBASSY MEXICO IMMEDIATE
AMEMBASSY MASERU IMMEDIATE
AMEMBASSY MONTEVIDEO IMMEDIATE
AMEMBASSY NEW DELHI IMMEDIATE
AMEMBASSY OSLO IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY PRETORIA IMMEDIATE
AMEMBASSY REYKJAVIK IMMEDIATE
USLO RIYADH IMMEDIATE
AMEMBASSY ROME IMMEDIATE
AMEMBASSY SAN SALVADOR IMMEDIATE
AMEMBASSY SANTIAGO IMMEDIATE
AMEMBASSY STOCKHOLM IMMEDIATE
AMEMBASSY TAIPEI IMMEDIATE
AMEMBASSY TEHRAN IMMEDIATE
AMEMBASSY TEL AVIV IMMEDIATE
AMEMBASSY THE HAGUE IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 STATE 159020

LIMITED OFFICIAL USE STATE 159020

E.O. 11652: N/A

TAGS: AORG, UN

SUBJECT:WORLD BANK/IMF PROPOSALS TO INCREASE EXECUTIVE
DIRECTORS AND ALTERNATES SALARIES

REF: 76 STATE 172490

1. EMBASSIES REQUESTED FORWARD TO HOST GOVERNMENT GOVERNORS
OF IBRD AND IMF LETTER FROM TREASURY SECRETARY BLUMENTHAL
CONTAINED IN PARA 7 BELOW. IN ADDITION PLEASE CONTACT
APPROPRIATE HOST GOVERNMENT OFFICIALS AND EXPLAIN U.S.
POSITION DESCRIBED BELOW IN OPPOSITION TO IBRD/IMF RESOLU-
TIONS CONCERNING EXECUTIVE DIRECTORS AND ALTERNATES COMPEN-
SATION, ON WHICH BANK AND FUND HAVE REQUESTED GOVERNORS
VOTES NOT LATER THAN JULY 27. APPROACH SHOULD SEEK SIMILAR
NEGATIVE ACTION BY HOST COUNTRY GOVERNORS. PLEASE REPORT
REACTION TO U.S. POSITION.

2. THE JOINT COMMITTEE ON REMUNERATION OF IBRD/IMF ED'S
AND AED'S HAS RECOMMENDED TO BOARDS OF GOVERNORS THAT ED'S
COMPENSATION BE RAISED BY \$3,300. SPECIFICALLY ED'S
SALARY WOULD BE RAISED BY \$3,300 TO \$49,000 (INCLUDING
NON-ACCOUNTABLE EXPENSE ALLOWANCE) AND ALTERNATES SALARY
\$3,300 TO \$39,200 (INCLUDING EXPENSE ALLOWANCE). IN
ADDITION ED'S AND AED'S RECEIVE GENEROUS SPOUSE AND

DEPENDENCY ALLOWANCES, AND OTHER FRINGE BENEFITS. (FYI. THE U.S. DOES NOT OPPOSE SEPARATE PROPOSAL FOR MINOR ADJUSTMENTS IN FRINGE BENEFIT PACKAGE TO BRING IT IN LINE WITH STAFF BENEFITS.)
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 04 STATE 159020

3. USG WAGED SIMILAR CAMPAIGN LAST YEAR, REFTEL A, RESULTING IN DEFEAT OF ORIGINAL PROPOSALS. SUBSEQUENTLY MORE MODERATE INCREASES WERE APPROVED. EARLIER THIS YEAR STAFF EARNING LESS THAN THE EXECUTIVE DIRECTORS RECEIVED A 6.8 PERCENT COST-OF-LIVING ADJUSTMENT. THE PROPOSED INCREASE FOR EDS IS THEREFORE LARGER THAN THAT RECEIVED BY STAFF. SUCCESS IN CONTROLLING ED'S SALARY IS VITAL TO CONTROLLING FUTURE STAFF SALARIES. CURRENT PROPOSALS FOR ED'S WOULD UNDERMINE THE FUTURE PROSPECT OF CONTROLLING STAFF SALARIES.

4. PLEASE EMPHASIZE TO HOST GOVERNMENTS THE STRONG CONCERN IN CONGRESS ABOUT STAFF SALARIES. A SENATE AMENDMENT TO THE BILL SEEKING \$5 BILLION IN AUTHORIZATION AUTHORITY FOR THE INTERNATIONAL FINANCIAL INSTITUTIONS SPECIFIES THAT SALARIES SHOULD BE IN LINE WITH THOSE PAID USG AND US PRIVATE SECTOR OFFICIALS AT AN EQUIVALENT LEVEL OF RESPONSIBILITY.

5. US CONSIDERS THE LEVEL OF REMUNERATION FOR ED'S MORE THAN ADEQUATE FOR DUTIES. ED'S CURRENT NET REMUNERATION OF \$45,700 PLUS DEPENDENCY ALLOWANCES IS EQUIVALENT TO ABOUT \$83,000 ON A TAXABLE BASIS UNDER U.S. FEDERAL AND D.C. INCOME TAX SYSTEMS. WE BELIEVE FEW IF ANY IMF OR IBRD GOVERNORS RECEIVE THIS LEVEL. U.S. SECRETARIES OF TREASURY AND STATE RECEIVE \$66,000 GROSS.

6. THE FOLLOWING ADDITIONAL POINTS CONCERNING THE REPORT OF THE JOINT COMMITTEE CAN ALSO BE USED:

(1) THE REPORT CONTAINS AN ERROR IN PARAGRAPH 6. IT STATES THAT "IN THE PERIOD MAY 1974 TO MAY 1977 THE
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 05 STATE 159020

REMUNERATION OF EXECUTIVE DIRECTORS DECLINED BY SOME 30 PERCENT IN REAL TERMS." THIS IS WRONG, THE DECLINE WAS ONLY 13.5 PERCENT. THIS UNFORTUNATE ERROR, ALTHOUGH CORRECTED IN PARAGRAPH 7, MAY TEND TO INFLUENCE GOVERNORS NOT FAMILIAR WITH ALL THE FACTS.

(2) THE REPORT ALSO RELIES HEAVILY ON REFERENCE TO THE REMUNERATION AND ALLOWANCES OF FIVE ECONOMIC MINISTERS

IN WASHINGTON, D.C. HOWEVER, NO INFORMATION IS PRESENTED TO SHOW HOW AN "AVERAGE REMUNERATION OF AROUND \$48,000" IS ARRIVED AT, AND WE HAVE GRAVE DOUBTS ABOUT THIS CALCULATION.

THE UNITED STATES WOULD URGE ANY GOVERNMENTS THAT BELIEVE PRESENT SALARIES TO BE INADEQUATE AT THE IMF AND IBRD TO CONSIDER INDIVIDUALLY PROVIDING THEIR ED WITH ANY EXTRA BENEFITS THEY FEEL ARE CALLED FOR.

THIS MOVE WOULD NOT ADD TO THE ORGANIZATION'S BUDGETARY BURDEN AND WOULD NOT LEAD TO FURTHER INCREASES IN STAFF SALARIES.

(3) THE REPORT OF THE JOINT COMMITTEE FREELY ADMITS THAT HIGHLY COMPETENT PERSONS ARE STILL WILLING TO SERVE AS EXECUTIVE DIRECTORS. SO LONG AS EXECUTIVE DIRECTORS ARE PAID A 15-20 PERCENT PREMIUM OVER THE AVERAGE OF THE BEST-PAID CIVIL SERVICES WE DO NOT BELIEVE THE IMF/IBRD WILL HAVE TROUBLE RECRUITING EDS -- AND THE PRESENT PREMIUM IS OF THE ORDER OF 60 PERCENT.

(4) THE REPORT OF THE JOINT COMMITTEE ASSERTS THAT EXECUTIVE DIRECTORS ARE PAID CLOSE TO THE AVERAGE OF THE BEST-PAID DIRECTORS OF CENTRAL BANKS. AGAIN, NO FIGURES ARE GIVEN BACKING-UP THIS ASSERTION. THE PRESENT SALARY OF EDS ON A GROSS EQUIVALENT BASIS IS OVER 40 PERCENT MORE THAN THE U.S. HEAD OF THE FEDERAL RESERVE SYSTEM WHO EARNS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 06 STATE 159020

\$57,500. WE SEE NO REASON FOR A SIGNIFICANT PREMIUM OVER THIS MORE SENIOR POSITION.

7. EVEN IF THE PRESENT PROPOSAL IS REJECTED WE BELIEVE THAT ALTERNATE PROPOSALS WILL BE FORTHCOMING. WE DON'T THINK ANY SALARY INCREASE IS JUSTIFIED, AND WE EXPECT TO OPPOSE ANY ALTERNATIVE PROPOSALS FOR AN INCREASE IN ED SALARIES. BEGIN UNCLASSIFIED LETTER TO HOST GOVERNMENT IMF/IBRD GOVERNORS. QUOTE:

DEAR MR. GOVERNOR:

I AM WRITING TO YOU IN YOUR CAPACITY AS GOVERNOR FOR (HOST COUNTRY) IN THE WORLD BANK AND INTERNATIONAL MONETARY FUND (IF GOVERNORS IN TWO ORGANIZATIONS DIFFERENT, ADJUST ACCORDINGLY) IN CONNECTION WITH THE PROPOSAL TO THE GOVERNORS OF THE JOINT COMMITTEE ON REMUNERATION TO INCREASE THE COMPENSATION OF THE EXECUTIVE DIRECTORS BY 7.2 PERCENT AND ALTERNATE EXECUTIVE DIRECTORS BY 9.2 PERCENT IN BOTH OF THESE INSTITUTIONS.

I STRONGLY BELIEVE THAT ANY SUCH INCREASE IS UNWARRANTED
AND THAT WE SHOULD OPPOSE THAT RECOMMENDATION.

THE AMOUNT OF THE EXECUTIVE DIRECTORS PRESENT REMUNERATION
IS \$45,700 TAX-FREE. (THIS REMUNERATION IS EQUIVALENT TO
\$83,000 ON A TAXABLE BASIS.) THE PROPOSED INCREASES
TRANSLATE INTO RAISES OF OVER 9 PERCENT AND 12 PERCENT IN
THE TAXABLE EQUIVALENT SALARIES OF EXECUTIVE DIRECTORS AND
ALTERNATES, RESPECTIVELY. THEY WOULD INCREASE THE TAXABLE
EQUIVALENT REMUNERATION OF AN EXECUTIVE DIRECTOR AT THE
IMF AND IBRD TO OVER \$90,000 (OR \$49,000, ON A TAX-FREE
BASIS). SUCH INCREASES, FOR THE HIGHEST PAID, ARE UN-
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 07 STATE 159020

WORTHY OF ORGANIZATIONS DEDICATED TO MONETARY STABILITY
AND AID TO THE WORLD'S NEEDIEST PEOPLES.

I ASK YOU TO COMPARE THESE SALARIES TO THOSE PAID THE TOP
GOVERNMENT OFFICIALS IN YOUR COUNTRY. I CAN ASSURE YOU
THEY ARE FAR IN EXCESS OF THE SALARIES PAID CABINET
OFFICERS IN THE UNITED STATES, AND I BELIEVE THEY ARE ALSO
FAR IN EXCESS OF SALARIES PAID TO CABINET OFFICERS IN
NEARLY ALL OTHER COUNTRIES.

I AM DEEPLY CONCERNED ABOUT THE DANGER OF UNDERMINING
PUBLIC FAITH IN THESE INSTITUTIONS AND I KNOW YOU SHARE
THAT CONCERN. WE CANNOT JUSTIFY AN INCREASE IN THE
SALARIES OF THE EXECUTIVE DIRECTORS TO PUBLICS WHICH ARE
BEING ASKED TO MAKE SACRIFICES TO CONTAIN INFLATION, OR
TO LEGISLATURES WHICH ARE BEING ASKED TO PROVIDE FUNDS TO
CARRY OUT THE WORK OF THE INSTITUTIONS.

SALARIES PAID PUBLIC SERVANTS IN INTERNATIONAL ORGANI-
ZATIONS HAVE BECOME AN INCREASINGLY SENSITIVE POLITICAL
ISSUE. ANY INCREASE IN THE SALARIES OF EXECUTIVE
DIRECTORS OF THE IMF/IBRD WOULD, I BELIEVE, SERIOUSLY
JEOPARDIZE OUR ABILITY TO OBTAIN THE APPROPRIATIONS WE
ARE SEEKING FROM THE U.S. CONGRESS FOR THE INTERNATIONAL
FINANCIAL INSTITUTIONS.

THE GOVERNORS OF THE INTER-AMERICAN DEVELOPMENT BANK
RESISTED EFFORTS TO PROPOSE A SALARY INCREASE FOR THEIR
EXECUTIVE DIRECTORS AT THE ANNUAL MEETING IN GUATEMALA
CITY. AN INCREASE NOW FOR IMF AND WORLD BANK EXECUTIVE
DIRECTORS WOULD HAVE UNFORTUNATE REPERCUSSIONS IN THIS
AND OTHER INTERNATIONAL INSTITUTIONS.

I AM MOST APPRECIATIVE OF YOUR CONSIDERATION OF THIS
IMPORTANT MATTER, AND URGE THAT YOU VOTE AGAINST THE
PROPOSED INCREASE.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 08 STATE 159020

SINCERELY,
W. MICHAEL BLUMENTHAL
U.S. GOVERNOR IBRD/IMF
END CLASSIFIED, UNQUOTE.
8. FRENCH AND SPANISH TRANSLATIONS OF LETTER WILL FOLLOW
SHORTLY. VANCE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 01 STATE 159020
ORIGIN EB-08

INFO OCT-01 AF-10 ISO-00 /019 R

66011
DRAFTED BY EB/IFD/ODF:TPARKER:SMCP
APPROVED BY EB/IFD/ODF:MVCREEKMORE
-----085421 262009Z /73
O 261950Z JUL 77
FM SECSTATE WASHDC
TO AMEMBASSY DAKAR IMMEDIATE

LIMITED OFFICIAL USE STATE 159020

FOL RPT STATE 159020 ACTION ALGIERS ANKARA ANTANARIVO ASUNCION
BANGKOK BELGRADE BOGOTA BONN BRASILIA BRUSSELS BUCHAREST
BUENOS AIRES CAIRO DOUALA DUBLIN HELSINKI ISLAMABAD
JAKARTA KUWAIT LAGOS LISBON LONDON LUSAKA MADRID MANILA
MEXICO MASERU MONTEVIDEO NEW DELHI OSLO PARIS PRETORIA REYKJAVIK
RIYADH ROME SAN SALVADOR SANTIAGO STOCKHOLM TAIPEI TEHRAN
TEL AVIV THE HAGUE TOKYO 8 JUL 77 QUOTE

LIMITED OFFICIAL USE STATE 159020

E.O. 11652: N/A

TAGS: AORG, UN

SUBJECT:WORLD BANK/IMF PROPOSALS TO INCREASE EXECUTIVE
DIRECTORS AND ALTERNATES SALARIES

REF: 76 STATE 172490

1. EMBASSIES REQUESTED FORWARD TO HOST GOVERNMENT GOVERNORS
OF IBRD AND IMF LETTER FROM TREASURY SECRETARY BLUMENTHAL
CONTAINED IN PARA 7 BELOW. IN ADDITION PLEASE CONTACT
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 STATE 159020

APPROPRIATE HOST GOVERNMENT OFFICIALS AND EXPLAIN U.S. POSITION DESCRIBED BELOW IN OPPOSITION TO IBRD/IMF RESOLUTIONS CONCERNING EXECUTIVE DIRECTORS AND ALTERNATES COMPENSATION, ON WHICH BANK AND FUND HAVE REQUESTED GOVERNORS VOTES NOT LATER THAN JULY 27. APPROACH SHOULD SEEK SIMILAR NEGATIVE ACTION BY HOST COUNTRY GOVERNORS. PLEASE REPORT REACTION TO U.S. POSITION.

2. THE JOINT COMMITTEE ON REMUNERATION OF IBRD/IMF ED'S AND AED'S HAS RECOMMENDED TO BOARDS OF GOVERNORS THAT ED'S COMPENSATION BE RAISED BY \$3,300. SPECIFICALLY ED'S SALARY WOULD BE RAISED BY \$3,300 TO \$49,000 (INCLUDING NON-ACCOUNTABLE EXPENSE ALLOWANCE) AND ALTERNATES SALARY \$3,300 TO \$39,200 (INCLUDING EXPENSE ALLOWANCE). IN ADDITION ED'S AND AED'S RECEIVE GENEROUS SPOUSE AND

DEPENDENCY ALLOWANCES, AND OTHER FRINGE BENEFITS. (FYI. THE U.S. DOES NOT OPPOSE SEPARATE PROPOSAL FOR MINOR ADJUSTMENTS IN FRINGE BENEFIT PACKAGE TO BRING IT IN LINE WITH STAFF BENEFITS.)

3. USG WAGED SIMILAR CAMPAIGN LAST YEAR, REFTEL A, RESULTING IN DEFEAT OF ORIGINAL PROPOSALS. SUBSEQUENTLY MORE MODERATE INCREASES WERE APPROVED. EARLIER THIS YEAR STAFF EARNING LESS THAN THE EXECUTIVE DIRECTORS RECEIVED A 6.8 PERCENT COST-OF-LIVING ADJUSTMENT. THE PROPOSED INCREASE FOR ED'S IS THEREFORE LARGER THAN THAT RECEIVED BY STAFF. SUCCESS IN CONTROLLING ED'S SALARY IS VITAL TO CONTROLLING FUTURE STAFF SALARIES. CURRENT PROPOSALS FOR ED'S WOULD UNDERMINE THE FUTURE PROSPECT OF CONTROLLING STAFF SALARIES.

4. PLEASE EMPHASIZE TO HOST GOVERNMENTS THE STRONG CON-
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 STATE 159020

CERN IN CONGRESS ABOUT STAFF SALARIES. A SENATE AMENDMENT TO THE BILL SEEKING \$5 BILLION IN AUTHORIZATION AUTHORITY FOR THE INTERNATIONAL FINANCIAL INSTITUTIONS SPECIFIES THAT SALARIES SHOULD BE IN LINE WITH THOSE PAID USG AND US PRIVATE SECTOR OFFICIALS AT AN EQUIVALENT LEVEL OF RESPONSIBILITY.

5. US CONSIDERS THE LEVEL OF REMUNERATION FOR ED'S MORE THAN ADEQUATE FOR DUTIES. ED'S CURRENT NET REMUNERATION OF \$45,700 PLUS DEPENDENCY ALLOWANCES IS EQUIVALENT TO ABOUT \$83,000 ON A TAXABLE BASIS UNDER U.S. FEDERAL AND D.C. INCOME TAX SYSTEMS. WE BELIEVE FEW IF ANY IMF OR IBRD GOVERNORS RECEIVE THIS LEVEL. U.S. SECRETARIES OF

TREASURY AND STATE RECEIVE \$66,000 GROSS.

6. THE FOLLOWING ADDITIONAL POINTS CONCERNING THE REPORT OF THE JOINT COMMITTEE CAN ALSO BE USED:

(1) THE REPORT CONTAINS AN ERROR IN PARAGRAPH 6. IT STATES THAT "IN THE PERIOD MAY 1974 TO MAY 1977 THE REMUNERATION OF EXECUTIVE DIRECTORS DECLINED BY SOME 30 PERCENT IN REAL TERMS." THIS IS WRONG, THE DECLINE WAS ONLY 13.5 PERCENT. THIS UNFORTUNATE ERROR, ALTHOUGH CORRECTED IN PARAGRAPH 7, MAY TEND TO INFLUENCE GOVERNORS NOT FAMILIAR WITH ALL THE FACTS.

(2) THE REPORT ALSO RELIES HEAVILY ON REFERENCE TO THE REMUNERATION AND ALLOWANCES OF FIVE ECONOMIC MINISTERS IN WASHINGTON, D.C. HOWEVER, NO INFORMATION IS PRESENTED TO SHOW HOW AN "AVERAGE REMUNERATION OF AROUND \$48,000" IS ARRIVED AT, AND WE HAVE GRAVE DOUBTS ABOUT THIS CALCULATION.

THE UNITED STATES WOULD URGE ANY GOVERNMENTS THAT BELIEVE PRESENT SALARIES TO BE INADEQUATE AT THE IMF AND IBRD TO CONSIDER INDIVIDUALLY PROVIDING THEIR ED WITH ANY EXTRA LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 04 STATE 159020

BENEFITS THEY FEEL ARE CALLED FOR.

THIS MOVE WOULD NOT ADD TO THE ORGANIZATION'S BUDGETARY BURDEN AND WOULD NOT LEAD TO FURTHER INCREASES IN STAFF SALARIES.

(3) THE REPORT OF THE JOINT COMMITTEE FREELY ADMITS THAT HIGHLY COMPETENT PERSONS ARE STILL WILLING TO SERVE AS EXECUTIVE DIRECTORS. SO LONG AS EXECUTIVE DIRECTORS ARE PAID A 15-20 PERCENT PREMIUM OVER THE AVERAGE OF THE BEST-PAID CIVIL SERVICES WE DO NOT BELIEVE THE IMF/IBRD WILL HAVE TROUBLE RECRUITING EDS -- AND THE PRESENT PREMIUM IS OF THE ORDER OF 60 PERCENT.

(4) THE REPORT OF THE JOINT COMMITTEE ASSERTS THAT EXECUTIVE DIRECTORS ARE PAID CLOSE TO THE AVERAGE OF THE BEST-PAID DIRECTORS OF CENTRAL BANKS. AGAIN, NO FIGURES ARE GIVEN BACKING-UP THIS ASSERTION. THE PRESENT SALARY OF EDS ON A GROSS EQUIVALENT BASIS IS OVER 40 PERCENT MORE THAN THE U.S. HEAD OF THE FEDERAL RESERVE SYSTEM WHO EARNS \$57,500. WE SEE NO REASON FOR A SIGNIFICANT PREMIUM OVER THIS MORE SENIOR POSITION.

7. EVEN IF THE PRESENT PROPOSAL IS REJECTED WE BELIEVE THAT ALTERNATE PROPOSALS WILL BE FORTHCOMING. WE DON'T THINK ANY SALARY INCREASE IS JUSTIFIED, AND WE EXPECT TO

OPPOSE ANY ALTERNATIVE PROPOSALS FOR AN INCREASE IN ED
SALARIES. BEGIN UNCLASSIFIED LETTER TO HOST GOVERNMENT
IMF/IBRD GOVERNORS. QUOTE:

DEAR MR. GOVERNOR:

I AM WRITING TO YOU IN YOUR CAPACITY AS GOVERNOR FOR
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 05 STATE 159020

(HOST COUNTRY) IN THE WORLD BANK AND INTERNATIONAL
MONETARY FUND (IF GOVERNORS IN TWO ORGANIZATIONS DIFFERENT,
ADJUST ACCORDINGLY) IN CONNECTION WITH THE PROPOSAL TO
THE GOVERNORS OF THE JOINT COMMITTEE ON REMUNERATION TO
INCREASE THE COMPENSATION OF THE EXECUTIVE DIRECTORS BY
7.2 PERCENT AND ALTERNATE EXECUTIVE DIRECTORS BY 9.2
PERCENT IN BOTH OF THESE INSTITUTIONS.

I STRONGLY BELIEVE THAT ANY SUCH INCREASE IS UNWARRANTED
AND THAT WE SHOULD OPPOSE THAT RECOMMENDATION.

THE AMOUNT OF THE EXECUTIVE DIRECTORS PRESENT REMUNERATION
IS \$45,700 TAX-FREE. (THIS REMUNERATION IS EQUIVALENT TO
\$83,000 ON A TAXABLE BASIS.) THE PROPOSED INCREASES
TRANSLATE INTO RAISES OF OVER 9 PERCENT AND 12 PERCENT IN
THE TAXABLE EQUIVALENT SALARIES OF EXECUTIVE DIRECTORS AND
ALTERNATES, RESPECTIVELY. THEY WOULD INCREASE THE TAXABLE
EQUIVALENT REMUNERATION OF AN EXECUTIVE DIRECTOR AT THE
IMF AND IBRD TO OVER \$90,000 (OR \$49,000, ON A TAX-FREE
BASIS). SUCH INCREASES, FOR THE HIGHEST PAID, ARE UN-
WORTHY OF ORGANIZATIONS DEDICATED TO MONETARY STABILITY
AND AID TO THE WORLD'S NEEDIEST PEOPLES.

I ASK YOU TO COMPARE THESE SALARIES TO THOSE PAID THE TOP
GOVERNMENT OFFICIALS IN YOUR COUNTRY. I CAN ASSURE YOU
THEY ARE FAR IN EXCESS OF THE SALARIES PAID CABINET
OFFICERS IN THE UNITED STATES, AND I BELIEVE THEY ARE ALSO
FAR IN EXCESS OF SALARIES PAID TO CABINET OFFICERS IN
NEARLY ALL OTHER COUNTRIES.

I AM DEEPLY CONCERNED ABOUT THE DANGER OF UNDERMINING
PUBLIC FAITH IN THESE INSTITUTIONS AND I KNOW YOU SHARE
THAT CONCERN. WE CANNOT JUSTIFY AN INCREASE IN THE
SALARIES OF THE EXECUTIVE DIRECTORS TO PUBLICS WHICH ARE
BEING ASKED TO MAKE SACRIFICES TO CONTAIN INFLATION, OR
TO LEGISLATURES WHICH ARE BEING ASKED TO PROVIDE FUNDS TO
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 06 STATE 159020

CARRY OUT THE WORK OF THE INSTITUTIONS.

SALARIES PAID PUBLIC SERVANTS IN INTERNATIONAL ORGANIZATIONS HAVE BECOME AN INCREASINGLY SENSITIVE POLITICAL ISSUE. ANY INCREASE IN THE SALARIES OF EXECUTIVE DIRECTORS OF THE IMF/IBRD WOULD, I BELIEVE, SERIOUSLY JEOPARDIZE OUR ABILITY TO OBTAIN THE APPROPRIATIONS WE ARE SEEKING FROM THE U.S. CONGRESS FOR THE INTERNATIONAL FINANCIAL INSTITUTIONS.

THE GOVERNORS OF THE INTER-AMERICAN DEVELOPMENT BANK RESISTED EFFORTS TO PROPOSE A SALARY INCREASE FOR THEIR EXECUTIVE DIRECTORS AT THE ANNUAL MEETING IN GUATEMALA CITY. AN INCREASE NOW FOR IMF AND WORLD BANK EXECUTIVE DIRECTORS WOULD HAVE UNFORTUNATE REPERCUSSIONS IN THIS AND OTHER INTERNATIONAL INSTITUTIONS.

I AM MOST APPRECIATIVE OF YOUR CONSIDERATION OF THIS IMPORTANT MATTER, AND URGE THAT YOU VOTE AGAINST THE PROPOSED INCREASE.

SINCERELY,

W. MICHAEL BLUMENTHAL

U.S. GOVERNOR IBRD/IMF

END CLASSIFIED, UNQUOTE.

8. FRENCH AND SPANISH TRANSLATIONS OF LETTER WILL FOLLOW SHORTLY. VANCE

UNQUOTE VANCE

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE159020
Document Source: ADS
Document Unique ID: 00
Drafter: TREAS:OASIA:WTHOMSON:CMR
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D770243-0825
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197707105/baaaetfd.tel
Line Count: 518
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: cb038762-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 172490
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1725362
Secure: OPEN
Status: NATIVE
Subject: WORLD BANK/IMF PROPOSALS TO INCREASE EXECUTIVE DIRECTORS AND ALTERNATES SALARIES
TAGS: AORG, UN
To: ALGIERS ANKARA MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/cb038762-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009